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ABSTRACT

This report presents the findings and recommendations of the Advisory Committee on Student Financial Assistance resulting from the committee's ongoing evaluation of student loan programs and their delivery system. The role of the committee is to provide extensive knowledge and understanding of federal, state, and institutional programs of postsecondary student assistance; to provide technical expertise with regard to systems of need analysis and application forms; and to make recommendations that will result in the maintenance of access to postsecondary education for low- and middle-income students. The particular findings presented here concern the improvements made in 1995-96 in the Ford Federal Direct Loan Program (FDLP) and the Federal Family Education Loan Program (FFELP). Findings indicate that the Department of Education (ED) successfully expanded the FDLP from slightly more than 100 institutions participating in 1994-1995 to over 1,200 in 1995-1996. ED also supplied improved software and systems. ED is exploring ways to improve its reconciliation process. ED, legislative, and loan industry initiatives have contributed significantly to the improvement of the FFELP, resulting in streamlined delivery and simplified processing for institutions. Specific recommendations to further improve each of the two programs are offered. Two appendices contain legislative information, and one appendix lists the committee members and staff. (CK)

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Improving the Federal Student Loan Programs

A Report of the
Advisory Committee on
Student Financial Assistance

August 1996

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IMPROVING THE FEDERAL STUDENT LOAN PROGRAMS

RECOMMENDATIONS FOR THE FORD FEDERAL DIRECT LOAN PROGRAM AND THE FEDERAL FAMILY EDUCATION LOAN PROGRAM

A Report to the Congress of the United States
and the Secretary of Education

Advisory Committee on Student Financial Assistance

August 1996

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FOREWORD

Congress created the Advisory Committee when it enacted the Higher Education Amendments of 1986. The Advisory Committee serves as an independent source of advice and counsel on student aid policy to Congress and the Secretary of Education. Congress originally defined the Committee's purpose in statute: to provide extensive knowledge and understanding of federal, state, and institutional programs of postsecondary student assistance; to provide technical expertise with regard to systems of need analysis and application forms; and to make recommendations that will result in the maintenance of access to postsecondary education for low- and middle-income students. The Committee's authorizing legislation appears in Appendix A.

Occasionally, Congress requires the Advisory Committee to conduct independent studies and evaluations, including this multi-year evaluation of the Ford Federal Direct Loan Program (FDLP) and the Federal Family Education Loan Program (FFELP). This report is a result of such a legislative charge, which is referenced in Appendix B.

The findings and recommendations contained in this report result from the Committee's ongoing evaluation of the loan programs and delivery system. They were adopted on June 10 and 11, 1996, and were provided to the Department of Education (ED). As of this date, no written comment has been received from ED that challenges the findings or recommendations.

The approach to the Committee's congressionally mandated evaluation is independent, objective, and impartial. While members have widely varying professional backgrounds, skills, and professional affiliations, they are required to refrain from acting to benefit interested parties or foster particular programs or policies. Thus, in developing this report, every effort has been made to ensure Congress, the Secretary, and the public that the findings and recommendations are free from the influence of any special interest.

The Advisory Committee's structure, which reflects the diversity of the contemporary financial aid community, enables it to provide Congress and the Secretary with objective technical analyses of important student aid issues. College presidents, financial aid administrators, educational association executives, bank officers, guaranty agency executives, state higher education officials, and students have served on the Advisory Committee. Members are appointed by the leaders of the United States Senate and the House of Representatives, and by the Secretary of Education on the basis of technical expertise and knowledge of student aid and educational policy. The eleven members serve in staggered terms of three years. Advisory Committee members and staff are listed in Appendix C.

INTRODUCTION

The Advisory Committee on Student Financial Assistance was charged by Congress with the passage of the Omnibus Budget Reconciliation Act of 1993 to conduct a three-year evaluation of the Federal Family Education Loan Program and the Ford Federal Direct Loan Program. The Advisory Committee is required to report its observations annually over three years beginning in 1994 and make recommendations on the advisability of fully implementing the FDLP in a final report due no later than January 1, 1997. In each of the two previous years, the Committee's evaluation focused on improving each program. This report contains the Committee's recommendations for the third and final year of its evaluation.

In the last year, the two loan programs operating in parallel have produced a healthy environment in which institutions participating in one program experienced tangible, if indirect, benefits from the existence of the other program. Institutions strongly support the continued existence of both loan programs so that competition can continue to improve the loan process.

Overall, institutions are pleased with the FDLP. Institutions state that the lending process is much simpler and understandable for students and adjustments are far easier to complete. In addition, ED and its contractors are able to maintain a high level of service to an increased number of direct lending institutions. ED regional account managers maintain close contact with FDLP institutions and provide assistance, monitor problems, and help ED coordinate resources to analyze and solve problems.

Competition from the FDLP since its inception three years ago has improved the FFELP significantly. The loan industry is involved in a number of initiatives to streamline the delivery of FFELP funds. These initiatives appear to have simplified processing and expedited delivery for participating institutions. For example, CommonLine, Education Loan Management (ELM), and products introduced by individual guaranty agencies and other loan industry entities have improved service to specific institutions and the students attending those schools. In addition, lenders are providing borrower incentives for repayment by offering reduced payments, lower interest rates, and discounts on origination fees. Lenders also provide support to institutions in the form of enhanced entrance and exit counseling and reduced publication costs.

The pages that follow report on improvements made in both loan programs in 1995-96 and recommendations for further enhancements.

IMPROVEMENTS MADE IN 1995-96

FORD FEDERAL DIRECT LOAN PROGRAM

Overall, ED successfully expanded the FDLP from slightly more than 100 institutions participating in 1994-95 to over 1,200 institutions listed as participants in 1995-96 to date. ED systems and software supported the expansion and performed remarkably well. Institutions report that start-up went much more smoothly, and systems and software are more effective in the second year of operation than in the first.

ED took steps prior to bringing up the program in 1995-96 to improve software and systems. For example, ED-supplied software for 1995-96 includes a report that institutions can generate to determine if subsidized and unsubsidized loans for an individual student have been processed in an amount that is greater than the statutory annual limit. Furthermore, the current FDLP servicer system has implemented modifications to improve its ability to flag loans processed in excess of borrower eligibility, thereby reducing the possibility of multiple FDLP loans.

Institutions in the 1995-96 FDLP cohort have reported that reconciliation proceeded much more smoothly than in 1994-95. This is due not only to enhancements in software and systems, but to two major changes in ED policy. First, ED modified the focus of reconciliation; reconciliation currently matches cash detail or cash drawdowns with total disbursements. Matching loan detail records with the servicer database is now outside the scope of reconciliation. Second, ED has issued regulations, effective July 1, 1996, tightening the timeframe for reporting data to the servicer to 30 days following disbursements. ED is actively encouraging institutions to follow these reporting requirements even before the effective date as a management strategy to facilitate reconciliation and improve funds control.

According to the FDLP servicer, as of May 1, 1996, the cash file for 1994-95 was completely reconciled. For 1995-96, approximately 98 percent of funds drawn down as of March 31, 1996 were accounted for by reported disbursements through April 30, 1996. Over 90 percent of loan detail records and over 80 percent of cash detail records were matched. To date, the program is over 90 percent reconciled in terms of cash and loan detail. The program, for 1995-96, should be completely reconciled by December 1996.

ED recognizes that it is important to link drawdowns to disbursements, and is exploring ways to further improve the reconciliation process. ED is exploring a pilot program, often referred to as "Just-In-Time," that would link drawdowns to specific loan records in real time to facilitate reconciliation without creating and possibly reducing institutional administrative burden. Just-In-Time will improve both reconciliation of loan detail and the integrity and efficiency of the Title IV-wide delivery system, which is consistent with the goals of Project EASI.

Also, ED is monitoring and developing measures of institutional quality and program accountability. On December 1, 1995, the Secretary published final regulations addressing cohort default rate calculations. Effective July 1, 1996, the Secretary will use different formulas to calculate a FDLP cohort rate or weighted average cohort rate for different sectors of institutions. These rates will be used as measures to determine if an institution should remain eligible to participate in the FDLP.

In the presence of the income contingent repayment option, ED will monitor its use at all institutions, and include such loans in the default rate calculation for non-degree granting proprietary institutions. FDLP servicer data indicates that relatively few students are selecting income contingent repayment, and there are no indications of abuse.

Also, ED plans to implement a within year line-of-credit in 1997-98 which will dramatically streamline the delivery of FDLP funds for students and institutions. ED officials indicated that the note will have a maximum annual amount, which can cover both the subsidized and unsubsidized loans. The total amount borrowed will equal the sum of all disbursements up to the maximum.

FEDERAL FAMILY EDUCATION LOAN PROGRAM

Significant improvements have also been made to the FFELP. In conjunction with the education community, ED developed common paper applications and forms. The loan industry has worked on implementing electronic loan applications, a network for data transmission, an enrollment status database, and common guaranty agency and lender policies.

In addition, the loan industry is involved in a number of initiatives to streamline the delivery of FFELP funds. These initiatives appear to have simplified processing and expedited delivery for institutions. For example, CommonLine, ELM, and products introduced by individual guaranty agencies and other loan industry entities have resulted in improved service to specific institutions and the students attending those schools.

The National Council of Higher Education Loan Programs (NCHELP) estimates that 150 to 200 institutions are currently using CommonLine. CommonLine enables schools to expand their automated connections for loan processing with standard electronic formats. ELM is operating on a small scale. It is currently in a test mode with a limited number of guaranty agencies, lenders, institutions, and an ELM Service Bureau, which became operational during 1995-96. ELM plans to determine its capacity to expand further and develop timetables for expansion.

Individual guaranty agencies continue to make products and services available to the institutions with which they do business. These products and services vary from agency to agency, but include streamlined electronic application processing and single disbursement agents for electronic funds transfer. In addition, the Common Manual, currently used by about twenty-five guaranty agencies, ensures that lenders are applying policies in the same manner.

In consultation with the financial aid community, the NCHELP Line of Credit Task Force is in the process of finalizing its Master Promissory Note (MPN) proposal. The Task Force anticipates implementation of a Master Promissory Note (assuming approval by ED) for the 1997-98 academic year and a paperless loan renewal process for the 1998-99 academic year. The Task Force believes the paperless loan renewal process complements other financial aid delivery processes being considered and developed and is coordinating its efforts with CommonLine and ELM processes. In addition, the Task Force recognizes that this project is in line with the EASI system being developed by ED.

ED has improved its systems capabilities to prevent ineligible students from receiving FFELP loans through the implementation of the National Student Loan Data System (NSLDS) in response to the Office of the Inspector General (OIG), General Accounting Office (GAO), and Advisory Committee recommendations. The NSLDS has prescreening capability, which allows the Central Processor (CPS) to prescreen a Free Application for Federal Student Aid (FAFSA) and check it against the NSLDS for the student's current loan status and potential loan limit problems. Also, borrower tracking is currently in production and being used by ED employees. Furthermore, the NSLDS provides access to a series of pre-developed queries to schools and guaranty agencies so that they are able to execute and return data regarding borrowers who attended their school or borrowers for whom they guaranteed a loan.

Additionally, ED has incorporated the Student Status Confirmation Report (SSCR) into the NSLDS in order to centralize and automate the enrollment verification process. According to ED, all FDLP institutions have received their electronic SSCR file. As FFELP schools sign up for the Title IV Wide Area Network (WAN) and NSLDS, they will be sent their SSCR file. Recently, ED extended the deadline for submission of the SSCR file. FDLP and FFELP schools have until August 15 and October 15, respectively, to update the SSCR file and return it to the NSLDS through the Title IV WAN (or via magnetic tape if that is the option chosen). Once the NSLDS officially takes over the SSCR process in February 1997, guaranty agencies will no longer send SSCRs to schools as agencies will receive enrollment verification directly from the NSLDS.

RECOMMENDATIONS FOR IMPROVEMENT

FORD FEDERAL DIRECT LOAN PROGRAM

The FDLP performed well during 1994-95 and continued to work smoothly in 1995-96. FDLP servicer data as of May 31, 1996 shows that 504,601 loans were originated in 1994-95, which accounted for $1.9 billion in originations and $1.6 billion in disbursements. For 1995-96, there were approximately:

- 2.5 million loans originated,
- $8.9 billion in FDLP loan originations, and
- $7.0 billion in disbursements to borrowers.

As of May 31, 1996, FDLP servicer data indicate that approximately 228,000[1] borrowers with a total of $1.9 billion in loans are in repayment and about $170 million has been collected. These borrowers have selected one of five options, including:

- 119,404 (50%) standard repayment,
- 9,375 (4%) extended repayment,
- 20,558 (9%) graduated repayment,
- 34,259 (15%) income contingent repayment, and
- 53,459 (23%) consolidation.

Institutions have indicated to the Committee that they are pleased with the program. However, the success of the FDLP over the long term depends on ED's ability to make the following improvements:

- Develop and design systems to tie cash drawdowns to disbursements by phasing in Just-In-Time (preferably across all programs) after thorough testing. Institutions should be allowed adequate time to modify their existing systems and adjust to Just-In-Time. ED should engage in community outreach to educate institutions about the Just-In-Time concept.

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[1] Total borrower count is unduplicated; therefore, it does not equal the sum of all repayment types. Percentages do not equal 100 percent due to rounding.

- Monitor the use of income contingent repayment at all institutions, and develop an appropriate measure to ensure program integrity across all sectors.

- Continue system improvements, solve remaining software problems, and take steps to ensure that the Electronic Data Systems (EDS) origination system performs effectively for 1997-98. In addition, ED must ensure that the system transitions to a borrower-specific structure which is consistent with the way institutions prefer to manage information about their students.

FEDERAL FAMILY EDUCATION LOAN PROGRAM

Over the past year, enhancements have been made to the FFELP. ED, legislative, and loan industry initiatives have contributed significantly to its improvement. These efforts have streamlined delivery and simplified processing for institutions. However, further improvement depends on ED leadership and legislative changes. In particular, ED should:

- Refocus the charge of the FFELP Transition Task Force to move toward establishing a national FFELP delivery system that is integrated into the Title IV delivery system and addresses the major issues, such as: reconciling loan subsidies paid to guarantors and default payments made to lenders; remitting to the federal government the appropriate amount of origination fees paid by students; and verifying the accuracy of bank billings for interest subsidies, which was raised in the OIG, GAO and Advisory Committee reports.

- Ensure full implementation of the Student Status Confirmation Report, a function of the National Student Loan Data System which will centralize and automate the enrollment verification process by February 1997, and implement the final phases of NSLDS in a timely fashion.

- Implement the FAFSA as the loan application, which is a necessary step toward integrating FFELP delivery.

- Implement a single source borrowing rule for all borrowers, require lenders to refinance prior loans at the borrower's option, and include an income contingent repayment option under the FFELP based on the same terms as the FDLP.

FORD FEDERAL DIRECT LOAN PROGRAM AND THE FEDERAL FAMILY EDUCATION LOAN PROGRAM

Students and institutions should be entitled to the same benefits under each loan program. However, students still contend with multiple loan processes on state, regional, and national levels. Some simplification has occurred as a result of the loan industry's various delivery initiatives. Although differences in interest rates and repayment options have played an important role in market competition within the industry, these differences have meant that all students cannot avail themselves of the same benefits, because interest rates and repayment options depend on the entities that own an individual borrower's loans.

In addition, disbursement requirements create unnecessary complexity in the loan programs. The rules create financial burdens for students and administrative burdens for institutions. For example, students depending on loan proceeds to pay for rent and books experience cash-flow problems. Furthermore, institutions with stable student populations and low default rates must expend resources in terms of systems and staff time to fulfill a requirement that has minimal impact. Therefore, the Advisory Committee recommends that ED and Congress should:

- Standardize repayment options and the interest rate calculation across all programs so that all students are entitled to the same benefits. Encourage the use of interest rate incentives for borrowers who are repaying their loans on a timely basis.

- Explore use of a multi-year line-of-credit in both the FDLP and the FFELP that allows flexibility within sound debt management guidelines without jeopardizing program integrity.

- Change disbursement requirements, in particular the 30-day delay rule and multiple disbursements of single semester loans, without jeopardizing program integrity.

- Resolve outstanding discrepancies in FDLP and FFELP loan volume estimates by institution, publish loan volume by participating institution, and continue to collect anticipated commitment levels from institutions participating in both programs.

APPENDIX A

AUTHORIZING LEGISLATION

The Advisory Committee was established by an act of Congress in 1986. Section 491 of the Higher Education Act as amended contains the Committee's congressional mandate. A copy of this section as it appears in the law follows.

SEC. 491. ADVISORY COMMITTEE ON STUDENT FINANCIAL ASSISTANCE.

(a) ESTABLISHMENT AND PURPOSE.--(1) There is established in the Department an independent Advisory Committee on Student Financial Assistance (hereafter in this section referred to as the "Advisory Committee") which shall provide advice and counsel to the Congress and to the Secretary on student financial aid matters.

(2) The purpose of the Advisory Committee is--

(A) to provide extensive knowledge and understanding of the Federal, State, and institutional programs of postsecondary student assistance;

(B) to provide technical expertise with regard to systems of needs analysis and application forms; and

(C) to make recommendations that will result in the maintenance of access to postsecondary education for low- and middle-income students.

(b) INDEPENDENCE OF ADVISORY COMMITTEE.--In the exercise of its functions, powers, and duties, the Advisory Committee shall be independent of the Secretary and the other offices and officers of the Department. Notwithstanding Department of Education policies and regulations, the Advisory Committee shall exert independent control of its budget allocations and expenditures, personnel decisions and processes, procurements, and other administrative and management functions. The Advisory Committee's administration and management shall be subject to the usual and customary Federal audit procedures. The recommendations of the Committee shall not be subject to review or approval by any officer in the executive branch, but may be submitted to the Secretary for comment prior to submission to the Congress in accordance with subsection (f). The Secretary's authority to terminate advisory committees of the Department pursuant to section 448(b) of the General Education Provisions Act ceased to be effective on June 23, 1983.

(c) MEMBERSHIP.--(1) The Advisory Committee shall have 11 members of which--

(A) 3 members shall be appointed by the President pro tempore of the Senate upon the recommendation of the Majority Leader and the Minority Leader,

(B) 3 members shall be appointed by the Speaker of the House of Representatives upon the recommendation of the Majority Leader and the Minority Leader, and

(C) 5 members shall be appointed by the Secretary including, but not limited to representatives of States, institutions of higher education, secondary schools, credit institutions, students, and parents.

(2) Not less than 7 members of the Advisory Committee shall be individuals who have been appointed on the basis of technical qualifications, professional standing and demonstrated knowledge in the fields of higher education and student aid administration, need analysis, financing postsecondary education, student aid delivery, and the operations and financing of student loan guarantee agencies.

(d) FUNCTIONS OF THE COMMITTEE.--The Advisory Committee shall--

(1) develop, review, and comment annually upon the system of needs analysis established under part F of this title;

(2) monitor, apprise, and evaluate the effectiveness of student aid delivery and recommend improvements;

(3) recommend data collection needs and student information requirements which would improve access and choice for eligible students under this title and assist the Department of Education in improving the delivery of student aid;

(4) assess the impact of legislative and administrative policy proposals;

(5) review and comment upon, prior to promulgation, all regulations affecting programs under this title, including proposed regulations;

(6) recommend to the Congress and to the Secretary such studies, surveys, and analyses of student financial assistance programs, policies, and practices, including the special needs of low-income, disadvantaged, and nontraditional students, and the means by which the needs may be met, but nothing in this section shall authorize the committee to perform such studies, surveys, or analyses;

(7) review and comment upon standards by which financial need is measured in determining eligibility for Federal student assistance programs;

(8) appraise the adequacies and deficiencies of current student financial aid information resources and services and evaluate the effectiveness of current student aid information programs; and

(9) make special efforts to advise Members of Congress and such Members' staff of the findings and recommendations made pursuant to this paragraph.

(e) OPERATIONS OF THE COMMITTEE.--(1) Each member of the Advisory Committee shall be appointed for a term of 3 years, except that, of the members first appointed--

(A) 4 shall be appointed for a term of 1 year;

(B) 4 shall be appointed for a term of 2 years; and

(C) 3 shall be appointed for a term of 3 years,

as designated at the time of appointment by the Secretary.

(2) Any member appointed to fill a vacancy occurring prior to the expiration of the term of a predecessor shall be appointed only for the remainder of such term. A member of the Advisory Committee shall, upon request, continue to serve after the expiration of a term until a successor has been appointed. A member of the Advisory Committee may be reappointed to successive terms on the Advisory Committee.

(3) The Advisory Committee shall elect a Chairman and a Vice Chairman from among its members.

(4) Six members of the Advisory Committee shall constitute a quorum.

(5) The Advisory Committee shall meet at the call of the Chairman or a majority of its members.

(f) SUBMISSION TO DEPARTMENT FOR COMMENT.--The Advisory Committee may submit its proposed recommendations to the Department of Education for comment for a period not to exceed 30 days in each instance.

(g) COMPENSATION AND EXPENSES.--(1) Members of the Advisory Committee who are officers or full-time employees of the United States shall serve without compensation in addition to that received for their services as officers or employees of the United States; but they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons in the Government service employed intermittently.

(2) Members of the Advisory Committee who are not officers or full-time employees of the United States may each receive reimbursement for travel expenses incident to attending Advisory Committee meetings, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons in the Government service employed intermittently.

(h) PERSONNEL AND RESOURCES.--(1) The Advisory Committee may appoint such personnel as may be necessary by the Chairman without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and may be paid without regard to the provisions of chapter 51 and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates, but no individual so appointed shall be paid in excess of the rate authorized for GS-18 of the General Schedule.

(2) In carrying out its duties under the Act, the Advisory Committee shall consult with other Federal agencies, representatives of State and local governments, and private organizations to the extent feasible.

(3)(A) The Advisory Committee is authorized to secure directly from any executive department, bureau, agency, board, commission, office, independent establishment, or instrumentality information, suggestions, estimates, and statistics for the purpose of this section and each such

department, bureau, agency, board, commission, office, independent establishment, or instrumentality is authorized and directed, to the extent permitted by law, to furnish such information, suggestions, estimates, and statistics directly to the Advisory Committee, upon request made by the Chairman.

(B) The Advisory Committee may enter into contracts for the acquisition of information, suggestions, estimates, and statistics for the purpose of this section.

(4) The Advisory Committee is authorized to obtain the services of experts and consultants without regard to section 3109 of title 5, United States Code and to set pay in accordance with such section.

(5) The head of each Federal agency shall, to the extent not prohibited by law, cooperate with the Advisory Committee in carrying out this section.

(6) The Advisory Committee is authorized to utilize, with their consent, the services, personnel, information, and facilities of other Federal, State, local, and private agencies with or without reimbursement.

(i) AVAILABILITY OF FUNDS.--In each fiscal year not less than $750,000, shall be available from the amount appropriated for each such fiscal year from salaries and expenses of the Department for the costs of carrying out the provisions of this section.

(j) SPECIAL ANALYSES AND ACTIVITIES.--The committee shall--

(1) monitor and evaluate the program modifications resulting from the enactment of the Higher Education Amendments of 1992, especially as such amendments relate to the need analysis;

(2) monitor and evaluate the implementation, pursuant to section 483, of a Free Application for Federal Student Aid and the process for determining eligibility and awards for programs under this title, including a simplified reapplication process;

(3) assess the adequacy of current methods for disseminating information about programs under this title and recommend improvements, as appropriate, regarding early needs assessment and information for first-year high school students; and

(4) assess the adequacy of methods of monitoring student debt burden.

(k) TERM OF THE COMMITTEE.--Notwithstanding the sunset and charter provisions of the Federal Advisory Committee Act (5 U.S.C. App. I) or any other statute or regulation, the Advisory Committee shall be authorized until October 1, 1998.

(l) STUDENT LOAN PROGRAM SIMPLIFICATION STUDY.--(1) The Advisory Committee shall conduct a thorough study of means of simplifying all aspects of the loan programs under part B of this title. In carrying out the study, the Advisory Committee shall examine, at a minimum--

(A) reduction of paperwork burdens experienced by financial aid administrators resulting from the current structure of such loan programs;

(B) promotion of simplification and standardization of forms, procedures, and all other aspects of guaranty agency operations for the purpose of facilitating data exchanges with such agencies (including the National Student Loan Database) and facilitating Department of Education oversight;

(C) simplification of the repayment process to minimize borrower confusion, including encouragement of single holder ownership of all of an individual's loans;

(D) encouragement of efficient utilization of loan programs to minimize multiple program borrowing in postsecondary education; and

(E) other proposals which are designed to reduce the administrative burdens on, and paperwork required of, students, educational institutions, guaranty agencies, lenders, secondary markets, and the Secretary submitted in response to a general solicitation by the Advisory Committee.

(2) The Advisory Committee shall consult with the Committee on Education and Labor of the House of Representatives and the Committee on Labor and Human Resources of the Senate in carrying out the study required by this subsection.

(3) The Advisory Committee shall, not later than 1 year after the date of enactment of this Act, prepare and submit to the Committee on Education and Labor of the House of Representatives and the Committee on Labor and Human Resources of the Senate a report on the study required by this subsection.

(20 U.S.C. 1098) Enacted October 3, 1980, P.L. 96-374, sec. 451(a), 94 Stat. 1454; amended August 15, 1983, P.L. 98-79, sec. 11, 97 Stat. 484; amended October 17, 1986, P.L. 99-498, sec. 407(a), 100 Stat. 1492; amended June 3, 1987, P.L. 100-50, sec. 15(16)-(18), 101 Stat. 357; amended July 23, 1992, P.L. 102-325, sec. 496, 106 Stat. 631; amended December 20, 1993, P.L. 103-208, sec. 2(h)(45) and (46), (m), 107 Stat. 2478, 2486.

APPENDIX B

OMNIBUS BUDGET RECONCILIATION ACT OF 1993
P.L. 103-66

STATEMENT OF MANAGERS

The Advisory Committee on Student Financial Assistance was charged by Congress with the passage of the Omnibus Budget Reconciliation Act of 1993 to conduct a three-year evaluation of the Federal Family Education Loan Program (FFELP) and the Ford Federal Direct Loan Program (FDLP).

STUDENT LOAN REFORM COMMISSION

House bill

No provision

Senate amendment

Section 460A establishes the National Student Loan Reform Commission to monitor, evaluate, and report on the implementation of the Federal Direct Student Loan Program and the continued operation of the Federal Family Education Loan Program. The Senate amendment authorizes up to $2 million per year in mandatory spending, for each of fiscal years 1994-1998, for the expenses of the bipartisan 15 member commission. The Senate amendment further requires the commission to submit to the Congress and the President no later than January 1, 1997, its final recommendations on the advisability of replacing the Federal Family Education Loan Program with a full-scale direct lending program.

Conference agreement

The Senate recedes. The conferees intend, however, that the duties that would have been assigned to the National Student Loan Reform Commission pursuant to the Senate bill be performed instead by the Advisory Committee on Student Financial Assistance (established by section 491 of the Higher Education Act). Specifically, it is the intent of the conferees that the Advisory Committee on Student Financial Assistance advise the Secretary and the Congress on the operation of the Federal Direct Student Loan Program and the Federal Family Education Loan Program. The conferees further intend that the Advisory Committee evaluate and report to the Congress on these programs on not less than an annual basis with final recommendations on the advisability of proceeding to full direct lending to be submitted to the Secretary and the Congress no later than January 1, 1997.

APPENDIX C

LIST OF MEMBERS AND STAFF
Advisory Committee on Student Financial Assistance
Current Members by Class of Appointment

CLASS OF 1995
(Term expires September 30, 1995)

Mr. Stephen C. Biklen
President
The Student Loan Corporation
Pittsford, New York 14534
(House of Representatives appointee)

CLASS OF 1996
(Term expires September 30, 1996)

Mr. Fernando de Necochea
Office of the Associate Provost
Brown University
Providence, Rhode Island 02912
(Secretary of Education appointee)

Ms. Lynn M. Fawthrop
Director of Financial Aid
Roger Williams University
Bristol, Rhode Island 02809
(U.S. Senate appointee)

CLASS OF 1997
(Term expires September 30, 1997)

Dr. Robert E. Alexander
Chancellor
University of South Carolina-Aiken
Aiken, South Carolina 29801
(Secretary of Education appointee)

Ms. Lola J. Finch
Director of Financial Aid - *Emeritus*
Washington State University
Pullman, Washington 99164-1015
(House of Representatives appointee)

Dr. William C. Hiss
Vice President for Administrative Services
Bates College
Lewiston, Maine 04240
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Mr. Robert A. Kraig
Student
University of Wisconsin-Madison
Madison, Wisconsin 53703
(Secretary of Education appointee)

CLASS OF 1998
(Term expires September 30, 1998)

Dr. Robert N. Kelly
Executive Director
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